

**GUARANTEE AGREEMENT (ANGAT PROJECT) BETWEEN THE REPUBLIC
OF THE PHILIPPINES AND THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

Note: The Agreement entered into force, November 24, 1961.

Reference: The Agreement is also published in 415 UNTS, p. 269. AGREEMENT, dated October 13, 1961, between Republic of the Philippines (hereinafter called the Guarantor) and International Bank for Reconstruction and Development (hereinafter called the Bank).

Whereas by an agreement of even date herewith between the Bank and National Power Corporation (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to thirty four million dollars (\$34,000,000) on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

Whereas the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

Now therefore the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 (said Loan Regulations No. 4 hereinafter called the Loan Regulations), with the same force and effect as if they were set forth herein.

ARTICLE II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and further guarantees the punctual performance of all the covenants and agreements of the Borrower in the territories of the Guarantor, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on the Loan and the Bonds, and that in the creation of any such lien express

provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including Central Bank of the Philippines or any other institution performing the functions of a central bank

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan- On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivisions to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

Section 3.07. The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower rates which will provide revenues sufficient: (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation; and (c) to leave a surplus for financing a reasonable portion of future expansion of its power facilities.

ARTICLE IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

ARTICLE V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Guarantor:

Central Bank of the Philippines
Manila
Philippines

Alternative address for cablegrams and radiograms:

Philcenbank
Manila
Philippines

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C
United States of America

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D.C.

Section 5.02. The Governor of the Central Bank of the Philippines is designated for the purposes of Section 8.03 of the Loan Regulations.

In witness whereof, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed by their respective names and delivered in the districts of Columbia, United States of America, as of the day and year first above written.

Republic of the Philippines:
By **ANDRES V. CASTILLOA**
Authorized Representative

International Bank for Reconstruction and Development

By **EUGENE R. BLACK**
President

RELATED LETTERS

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EMBASSY OF THE PHILIPPINES
WASHINGTON, D. C.

October 13, 1961

International Bank for Reconstruction
and Development

1818 H Street, N. W.
Washington 25, D.C.
United States of America

Loan No. 297 PH {Angat Project)
Re.- Section 3.07 of Guarantee Agreement and Section 5.08 of Loan Agreement

Dear Sirs:

We refer to Section 3-07 of the Guarantee Agreement (Angat Project) to Section 5.08 of the Loan Agreement (Angat Project)'; both of even date herewith, which set forth the obligation of the Guarantor and the Borrower respectively to take all action necessary to have the rates of the Borrower set at such levels as will provide revenues sufficient, inter alia, "to leave a surplus for financing a reasonable portion of future expansion" of the power facilities of the Borrower. We agreed the quoted clause to mean, that electric power rates should be set at the level which, on the basis of present estimates, would permit at least 25 % of new investments in power facilities during fiscal years 1962-63 to 1964-65 to be financed from cash generated internally, i.e., from revenue from all sources less all operating administrative and overhead expenses, including taxes, amounts payable in respect of interest, sinking-funds and amortization of all long term indebtedness but without any deduction for provision for depreciation.

This is to confirm our intention to take, prior to the end of the current fiscal year, all action necessary or desirable to achieve the abovementioned objective. Within the first three months of the fiscal year 1962-63 we will meet with you to review" the steps taken by us and to establish what other action, if any, would be required, in the light of the Borrower's financial situation, to achieve the purpose of abovementioned covenants.

The percentage of new expansion to be financed in later years from cash generated internally is expected to be higher and will be established from time to time in agreement with you on the basis of future reviews of the expansion program and earnings level of the Borrower.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Yours truly,

Republic of the Philippines:
By **ANDRES CASTILLO**
Authorized Representative

National Power Corporation:
By **F. M. ZABLAN**
Authorized Representative

Confirmed:

International Bank
for Reconstruction and Development
By **I. P. M. CARGILL**

EMBASSY OF THE PHILIPPINES
WASHINGTON, D. C.

October 13, 1961

International Bank for Reconstruction
and Development

1818 H Street, NAV.
Washington 25, D.C.
United States of America

Loan No. 297 PH {Angat Project}

Re: Section 2.02 of Guarantee Agreement

Dear Sirs:

We refer to Section 2.02 of the Guarantee Agreement (Angat Project) of even date herewith between us^ wherein the Guarantor undertakes to provide the Borrower, or cause the' Borrower to be provided, with such funds as will be needed to meet expenditures required for carrying out the Project.

During negotiations we informed you that the National Waterworks and Sewerage Authority, between now and the end of the fiscal year 1964-65, will contribute an amount of 21-5 million pesos towards the cost of the Project.

This is to confirm our intention that we will provide the National Waterworks and Sewerage Authority, or cause said Authority to be provided, with the funds for said contribution should the funds available to the National Waterworks and Sewerage Authority from other sources be insufficient to make said contribution to the cost of the Project.

Yours truly,

Republic of the Philippines:
By **ANDRES CASTILLO**
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

Regulations Applicable, to Loans Made by the Bank to Borrowers
other than member governments

[Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212]

LOAN AGREEMENT
(ANGAT PROJECT)

AGREEMENT, dated October 13, 1961, between International Bank for Reconstruction and Development (hereinafter called the Bank) and National Power Corporation (hereinafter called the Borrower),

ARTICLE I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 (said Loan Regulations No. 4 being hereinafter